



**REPUBLIC OF BULGARIA**  
**MINISTRY OF FINANCE**

Tax Policy Directorate

**TAX EXPENDITURE FORECAST IN 2021**

Type of Tax	Number of Tax Expenditure Items	Number of Tax Expenditure Items Measured	Estimate 2021
			(in BGN)
VAT	8	7	343 072 000
Excise duties	7	7	162 901 000
Corporate income taxes	19	10	357 160 000
Personal income taxes	13	12	264 128 000
<b>Total</b>	<b>47</b>	<b>36</b>	<b>1 127 261 000</b>

**Explanatory note for Tax Expenditure Forecast in 2021**

Annual Tax Expenditure Reports are prepared and published in order to provide transparency concerning the provisions regulating tax incentives and reliefs. The preparation of the Tax Expenditure Report is legally regulated by Article 16, paragraph 4 of the Public Finance Law and in line with Article 14, paragraph 2 of Directive 2011/85/EU of the Council of 8 November 2011 on requirements for budgetary frameworks of the Member States.

Currently in Bulgaria there were prepared several Tax Expenditure Reports covering the period from 2007 to 2019. Reports on tax expenditures have been prepared and published annually since 2012. All the reports for past reference periods are used as a basis for prevision of future tax expenditures.

The Tax Expenditure Forecast in 2021 represents the sixth preliminarily assessment of the tax expenditures by tax incentives and tax reliefs, regulated under the Value Added Tax Act, the Excise Duty and Tax Warehouses Act, the Corporate Income Tax Act and the Personal Income Tax Act, for the respective year. Tax Expenditure Forecast for 2016 was published for the first time in 2015, and introduced an annual publishing on the estimates of expected tax expenditure.

The applied methodology for the forecast of tax expenditures for 2021 is the same used in the preparation of the previous tax expenditures reports and includes the following main stages:

- Making a list of the active tax incentives and reliefs under the Value Added Tax Act, the Excise Duty and Tax Warehouses Act, the Corporate Income Tax Act and the Personal Income Tax Act for 2021;
- Determination of the tax incentives and reliefs as tax expenditures or as a part from the benchmarking items;
- Making a list of the 2021 tax expenditures;
- Selecting the appropriate methods for the tax expenditures measuring;
- Analysing the available information and the sources of information for the tax expenditures measuring;
- Measuring Tax Expenditures.

For the purposes of the present forecast the method of revenue foregone is used. This is the most commonly used method of measuring taxes, which involves estimation of amounts not paid for the budget as a result of the existence of a certain tax expenditure item.

The evaluation of tax expenditures of different type of tax is based on the information from the Autumn Macroeconomic Forecast of the Ministry of Finance for the period 2020 - 2023, the extraordinary legislative measures adopted in the Emergency Measures and Actions Act announced by a decision of the National Assembly of 13 March 2020, and on addressing the consequences (amended and supplemented, SG No. 44/13.05.2020), to support business and employment, the legislation in force, the adopted changes in the bills on amendment and supplement of the tax legislation acts for 2021, the underlying basic assumptions in the updated medium term budget forecasts, some of the 2021 State Budget Act provisions, as well as on the basis of information provided by the National Revenue Agency, the National Customs Agency, the National Statistical Institute, the Bulgarian National Bank, etc.